

[REDACTED]
[REDACTED]
[REDACTED]
AUG 05 1982

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

Information furnished shows that you were incorporated under [REDACTED] on [REDACTED].

Your purposes, briefly stated, are to encourage, foster, and stimulate commerce, trade, business, finance and professional interest among the merchants in the [REDACTED]; to promote cooperation and friendly exchange among the businessmen in [REDACTED]; to adjust and settle business disputes and other matters between members and others; to promote, advance and stimulate civic, business, commercial, and general interests in the Mall, and engage in any other lawful affairs related to such activities and purposes.

Membership in your organization is required of and restricted to merchants leasing space in [REDACTED] for the conduct of trade or business. Dues are provided for in the lease at [REDACTED]¢ per square foot rented, with a minimum charge of \$[REDACTED]. This assessment is represented in the lease as the tenant's share of the costs of your promotions, seasonal decorations: wages, salaries, uniforms, workmens compensation and employee taxes for a promotional director, secretaries, receptionists, information girls and security personnel and such other personnel as may be needed to carry out your promotions and activities; common area security expense; operational expenses for the mall office and meeting rooms, including utilities and office supplies; furnishings and equipment for the promotional director's office; liability insurance; and any other charge incurred by the association not set forth in the lease as an expense to be borne by the Landlord. The lease provides for increases in the assessment every five years, and for other assessments as may be determined by your association.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname		[REDACTED]	[REDACTED]				
Date		9/4	8/5/82				

[REDACTED]

Your association is governed by representatives of the [REDACTED] largest stores, the mall manager, the marketing director, and [REDACTED] others chosen by these people from among the other tenants. Except for the directors, membership is non-voting.

Your activities include providing a security force to maintain a safe and orderly shopping area and to protect the merchants interests; conduct of shows, displays, giveaways, advertising campaigns and other activities designed to promote the mall and attract shoppers to the mall.

Section 501(c)(3) of the Code provides for the exemption of organizations which are organized and operated exclusively for religious, charitable, scientific, animals, or to test for public safety. No part of the net earnings of the organization may inure to the benefit of any individual.

Section 1.501(c)(3)-1(a)(1) of the income tax regulations states that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in that section. If an organization does not meet either the organizational or operational test it is not exempt.

Section 1.501(c)(3)-1(b)(1) provides that an organization is not organized exclusively for one or more exempt 501(c)(3) purposes unless it articles limit the purposes of the organization to one or more exempt purposes, and do not empower the organization to engage, other than as an insubstantial part of its activities, in activities which are not in furtherance of such purposes.

Section 1.501(c)(3)-1(b)(4) provides that an organization is not organized exclusively for one or more exempt purposes unless, through provision in its articles or by operation of law, its assets are dedicated to an exempt purpose.

Section 1.501(c)(3)-1(c) of the regulations states that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes. It states further that an organization will not be regarded as operated exclusively for one or more exempt purposes if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for one or more of the purposes specified unless it serves a public rather than a private interest. Thus, to meet the requirement, an organization must establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization or persons controlled, directly or indirectly, by such private interests.

[REDACTED]

In contruing the meaning of the phrase "exclusively for educational purposes" in *Better Business Bureau v. U.S.*, 326 U. S. 279 (1945), Ct. D 1650, 1945 C.B. 375, the Supreme Court of the United States said, "This plainly means that the presence of a single noneducational purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly educational purposes." This rationale applies equally to any specified purpose under section 501(c)(3).

Although you do include educational shows in your promotions, and you aid charities in fund raising events, you are neither organized nor operated exclusively for charitable purposes. Your articles do not limit your purposes or powers or dedicate assets exclusively to purposes specified in section 501(c)(3). Your primary purpose is to promote business at the mall for the economic benefit of your members, and your activities, including the educational shows you sponsor, are conducted to attract shoppers and promote and secure the business interests of your members.

Since you are not organized and operated exclusively for charitable purposes, you do not qualify for exemption under section 501(c)(3). Further, we do not recognize you as exempt under any related section of 501(c). Contributions to you are not deductible.

You are required to file Federal income tax returns, on Form 1120, for each year of operation.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,

[REDACTED]